

FINANCIAL STATEMENTS

**TOWNSHIP OF LIMESTONE**  
Alger County, Michigan

For the year ended March 31, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>TOWNSHIP OF LIMESTONE</b>	County <b>ALGER</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>9/20/05</b>	Date Accountant Report Submitted to State: <b>9/20/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

**RECEIVED**  
DEPT. OF TREASURY

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

DEC 06 2005

1130

LOCAL AUDIT & FINANCE DIV.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes and the accompanying comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>SCHNEIDER, LARCHE, HAAPALA &amp; CO. PLLC.</b>			
Street Address <b>401 LUDINGTON STREET</b>	City <b>ESCANABA</b>	State <b>MI</b>	ZIP <b>49829</b>
Accountant Signature <i>[Signature]</i>		Date <b>9/20/05</b>	

**TABLE OF CONTENTS**  
**FINANCIAL STATEMENTS**

**TOWNSHIP OF LIMESTONE**

March 31, 2005

<b><u>EXHIBIT</u></b>	<b><u>PAGE</u></b>
<b>Independent Auditors' Report</b>	1
<b>Management's Discussion and Analysis</b>	3
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	7
Statement of Activities	8
<b>Fund Financial Statements:</b>	
Governmental Funds:	
Balance Sheet	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	10
Statement of Revenues, Expenditures, and Changes in Fund Balances	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	12
<b>Notes to Financial Statements</b>	13
<b>Required Supplemental Information:</b>	
<b>Budgetary Comparison Schedules - General Fund - Cash Basis</b>	20
<b>Notes to Required Supplemental Information</b>	21
<b>Other Supplemental Information:</b>	
<b>Budgetary Comparison Schedules:</b>	
General Fund Revenues - Cash Basis	22
General Fund Expenditures - Cash Basis	23



*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.  
Denise M. Boyle, C.P.A., P.C.  
Bruce D. Dewar, C.P.A.  
Karen L. Meiers, C.P.A., P.C.

September 20, 2005

Township Board  
Township of Limestone  
Alger County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of Limestone, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Limestone, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.



The management's discussion and analysis and budgetary comparison information on pages 3 through 6 and 20 through 21 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Schneider-Farke-Hayden, Company PLLC*  
Certified Public Accountants

**TOWNSHIP OF LIMESTONE  
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS  
March 31, 2005**

This discussion and analysis of the Township's financial position and activities is presented as of and for the year ended March 31, 2005. The information presented should be read in conjunction with the Township's financial statements that follow.

The discussion and analysis is intended to assist the reader's understanding of the financial statements by highlighting summarized financial data, activities, trends and other related information.

**ANNUAL REPORT**

The Township annual report consists of three main financial information components as follows:

- Basic financial statements
- Required supplemental information
- Other supplemental information

**Basic Financial Statements** - The basic financial statements present government - wide financial statements that provide information about the Township's financial condition and activities as a whole. The government - wide financial statements provide data relating to the long-term nature of the Township's operations by reporting all Township assets and liabilities that will provide or require financial resources in the future and the Township's investment in property and equipment.

In addition, the basic financial statements present fund financial statements that provide information about the significant individual funds of the Township. The basic financial statements also include footnote disclosures necessary to provide additional information regarding the basic financial statements and other significant issues regarding the Township's financial position and activity.

**Required Supplemental Information** - Required supplemental information is not a part of the basic financial statements but is an important part of the annual report. The primary financial information contained herein is budgetary information of the Township's General Fund.

**Other Supplemental Information** - Other supplemental information provides additional financial information regarding budgetary information not included as required supplemental information.

**TOWNSHIP OF LIMESTONE  
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)  
March 31, 2005**

**FINANCIAL HIGHLIGHTS**

Financial highlights discussed below include the following items:

- Adoption of GASB Statement 34
- Government-wide financial information
- Governmental funds financial information
- Other information

**Adoption Of GASB Statement 34** - This annual report has been prepared in accordance with Governmental Accounting Standards Board Statement 34. The new standard was implemented for the first time in the current year. Information for the year 2004 presented below has been restated to be comparative with 2005.

**Government - wide Financial Information** - The net assets of the Township as a whole for the year ended March 31, 2005 increased by \$693 to \$235,561. A comparison of net assets as of March 31, 2004 and 2005 are as follows:

	<u>2004</u>	<u>2005</u>
Cash	\$ 223,834	\$ 219,484
Receivables	<u>7,284</u>	<u>7,498</u>
Total noncapital assets	231,118	226,982
Capital assets, net	<u>3,750</u>	<u>8,579</u>
Total assets	<u>234,868</u>	<u>235,561</u>
Current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>
Net assets	\$ <u>234,868</u>	\$ <u>235,561</u>
Net assets are classified as follows:		
Invested in capital assets	\$ 3,750	\$ 8,579
Unrestricted net assets	<u>223,834</u>	<u>226,982</u>
	\$ <u>227,584</u>	\$ <u>235,561</u>

**TOWNSHIP OF LIMESTONE  
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)  
March 31, 2005**

**Government - wide Financial Information (Continued)**

Significant revenues and expenditures on a government-wide basis are as follows for the years ending March 31, 2004 and 2005:

Revenues:	<u>2004</u>		<u>2005</u>	
Program:		<u>%</u>		<u>%</u>
Charges for services	\$ 1,165	2	\$ 750	1
Other	-	-	845	2
General:				
Taxes	10,263	18	8,326	16
State revenue	39,225	70	39,995	76
Other	5,738	10	3,020	5
	<u>\$ 56,391</u>	<u>100%</u>	<u>\$ 52,936</u>	<u>100%</u>
Expenditures:				
General operations	\$ 32,385	60	\$ 32,425	62
Public safety	10,750	20	5,500	11
Public works	1,893	4	2,911	6
Recreation	1,289	2	4,375	8
Other expenditures	7,555	14	7,032	13
	<u>\$ 53,872</u>	<u>100%</u>	<u>\$ 52,243</u>	<u>100%</u>
Change in Net Assets	\$ <u>2,519</u>		\$ <u>693</u>	

Revenues for the year ended March 31, 2006 are currently projected to approximate revenues recorded for the year ended March 31, 2005.

Expenditures for the year ended March 31, 2005 were comparable to the prior year. Expenditures for the year ended March 31, 2006 are expected to remain relatively constant with 2005.



**TOWNSHIP OF LIMESTONE  
ALGER COUNTY, MICHIGAN**

**MANAGEMENTS DISCUSSION AND ANALYSIS (Continued)  
March 31, 2005**

**Governmental Funds Financial Information** - As discussed in the basic financial statements, the basis of presentation and the basis of accounting used in preparing the government-wide and governmental funds financial statements are different. Accordingly, the governmental funds information presented below will differ from the government-wide information presented above.

The fund balances of the governmental funds of the Township decreased by \$3,768 to \$223,782 from the March 31, 2004 to March 31, 2005. Cash balances of the governmental funds decreased by \$4,350 to \$219,484 for the same period.

Revenues and expenditure comparisons with the prior year are as follows:

	<u>2004</u>	<u>2005</u>
Total Revenues		
General fund	\$ 56,435	\$ 53,304
Total Expenditures		
General fund	<u>53,872</u>	<u>57,072</u>
Change in fund balances	\$ <u>2,563</u>	(\$ <u>3,768</u> )

**Other Information**

**Capital Outlay** - The Township purchased capitalized equipment totaling \$5,083 during the year. The Township's total investment in property and equipment totaled \$43,833 as of March 31, 2005. No significant capital expenditures are projected for the next fiscal year.

**TOWNSHIP OF LIMESTONE**  
**STATEMENT OF NET ASSETS**

March 31, 2005

	<u>Governmental Activities</u>
<b><u>ASSETS</u></b>	
Current Assets:	
Cash and certificates of deposit	\$ 219,484
Taxes receivable	1,134
Due from other governments	<u>6,364</u>
<b>TOTAL CURRENT ASSETS</b>	<b>226,982</b>
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	<u>8,579</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>235,561</u></b>
<b><u>LIABILITIES</u></b>	
Current Liabilities:	
Accounts payable and accrued expenses	\$ <u>-</u>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>
<b><u>NET ASSETS</u></b>	
Invested in capital assets, net of related debt	8,579
Unrestricted	<u>226,982</u>
<b>TOTAL NET ASSETS</b>	<b><u>235,561</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>235,561</u></b>

See accompanying notes to financial statements.

# TOWNSHIP OF LIMESTONE

## STATEMENT OF ACTIVITIES

For the year ended March 31, 2005

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenue Charges for Services and Other</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>  <u>Governmental Activities</u>
Governmental Activities:			
Legislative	\$ 6,461	\$ -	(\$ 6,461)
General government	25,964	750	( 25,214)
Public safety	5,500	845	( 4,655)
Public works	2,911	-	( 2,911)
Recreation and culture	4,375	-	( 4,375)
Other	<u>7,032</u>	<u>-</u>	( <u>7,032</u> )
 TOTAL GOVERNMENTAL ACTIVITIES	 \$ <u>52,243</u>	 \$ <u>1,595</u>	 ( <u>50,648</u> )
General Revenues:			
Property taxes			8,326
State sources not restricted			39,995
Interest income			1,786
Other revenue			<u>1,234</u>
 TOTAL GENERAL REVENUE			 <u>51,341</u>
Change in net assets			693
Net assets, beginning of year			<u>234,868</u>
Net assets, end of year			\$ <u>235,561</u>

See accompanying notes to financial statements.

**TOWNSHIP OF LIMESTONE**

**GOVERNMENTAL FUNDS BALANCE SHEET**

March 31, 2005

	<u>General Fund</u>
<b><u>ASSETS</u></b>	
Cash and certificates of deposit	\$ 219,484
Taxes receivable	1,134
Due from other governments	<u>6,364</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>226,982</u></b>
<b><u>LIABILITIES</u></b>	
Deferred revenue	\$ <u>3,200</u>
<b>TOTAL LIABILITIES</b>	<b>3,200</b>
<b><u>FUND BALANCES</u></b>	
Unreserved	<u>223,782</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>226,982</u></b>

See accompanying notes to financial statements.

**TOWNSHIP OF LIMESTONE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

March 31, 2005

Total fund balances per governmental funds balance sheet \$ 223,782

Amounts reported for governmental activities  
in the statement of net assets are different because:

Capital assets are not reported in the governmental funds  
balance sheet because they are not current financial resources,  
but they are reported in the statement of net assets. 8,579

Certain receivables are deferred in the governmental funds  
balance sheet because they are not available to pay current period  
expenditures, but they are not deferred in the statement of net assets. 3,200

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 235,561

See accompanying notes to financial statements.

**TOWNSHIP OF LIMESTONE**

**GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES**

For the year ended March 31, 2005

	<u>General Fund</u>
Revenues:	
Taxes	\$ 8,424
State sources	40,265
Charges for services	845
Interest and rentals	1,786
Other	<u>1,984</u>
TOTAL REVENUES	<u>53,304</u>
Expenditures:	
Legislative	6,461
General government	30,793
Public safety	5,500
Public works	2,911
Recreation and culture	4,375
Other	<u>7,032</u>
TOTAL EXPENDITURES	<u>57,072</u>
Change in Fund Balances	( 3,768)
Fund Balances, beginning of year	<u>227,550</u>
Fund Balances, end of year	\$ <u><u>223,782</u></u>

See accompanying notes to financial statements.

**TOWNSHIP OF LIMESTONE**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO  
THE STATEMENT OF ACTIVITIES**

For the year ended March 31, 2005

Net change in total fund balances per governmental fund financial  
statement of revenues, expenditures, and changes in fund balances (\$ 3,768)

Amounts reported for governmental activities in the statement  
of activities is different because:

Capital outlays are reported as expenditures in the governmental  
funds financial statement because they use current financial  
resources, but they are presented as assets in the statement  
of activities and depreciated over their estimated economic lives.  
The amount of current year capital outlays in excess of current  
year depreciation. 4,829

Revenues that are not available to pay current obligations are  
not reported in the governmental funds financial statement,  
but they are presented in the statement of activities. ( 368)

Change in net assets of governmental activities \$ 693

See accompanying notes to financial statements.

**TOWNSHIP OF LIMESTONE**  
**NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Township of Limestone have been prepared in accordance with generally accepted accounting principles in the United States of America as applicable to governmental entities. A summary of the significant accounting policies followed in the preparation of the financial statements are presented below.

**A) Reporting Entity** - The Township of Limestone's financial statements present the Township as the primary government. The Township does not have any component units.

**B) Basic Financial Statements** - The Township's basic financial statements are comprised of the following four components:

- 1) Government-wide financial statements
- 2) Governmental funds financial statements
- 3) Fiduciary funds financial statements
- 4) Notes to the financial statements

- 1) Government-wide financial statements report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has generally been removed from these statements.

The Statement of Net Assets displays the assets, liabilities and net assets of the Township as a whole. The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Program revenues include user fees and grants and contributions restricted for specific operational or capital acquisition purposes. Taxes, unrestricted state grants and other revenues not properly reported as program revenues are reported as general revenues.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.



# TOWNSHIP OF LIMESTONE

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 2) Governmental funds financial statements report on the individual governmental funds of the Township. Major governmental funds are reported on separately and nonmajor funds are reported on as a group.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Significant revenue sources meeting the availability criteria include state shared revenues. Various receivables and grant reimbursements collected after the period of availability would be recorded as deferred revenues.

Expenditures generally are recorded when a liability is incurred. Expenditures not normally paid from currently available resources are recorded when payment is due. Examples of expenditures recorded when due would include debt service expenditures, expenditures relating to compensated absences, and claims and judgements.

The individual governmental funds are each considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that compromise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The only Township governmental fund is the General Fund. It is the general operating fund of the Township and it is used to account for all financial resources and transactions not properly or legally accounted for in another of the Township's funds.

# TOWNSHIP OF LIMESTONE

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 3) Fiduciary fund financial statements are used to report assets held in a trustee or agency capacity for others and are not available to support general Township programs. The fiduciary funds are excluded from the government-wide financial statements. Fiduciary funds use the accrual basis of accounting. The Township's only fiduciary fund is the Current Tax Collection Fund. The fund had no assets or liabilities as of March 31, 2005, and accordingly, the related Statement of Assets and Liabilities has been excluded from the current basic financial statements.
- 4) Notes to the financial statements provide information to the reader that is considered critical to the reader's understanding of the financial statements and the Township's financial position and activities. The disclosures provide information that generally cannot be determined by a reading of other sections of the financial statements.

**C) Budgets** - The Township prepares and adopts budgets on a cash basis. Unexpended appropriations lapse at the end of the fiscal year. The Township's General Fund expenditure budget is adopted at the activity level. The Township Supervisor is responsible for the preparation and monitoring of the budget. The Township Board is responsible for the approval of the original budget and any subsequent amendments.

**D) Accounts Receivable** - Property taxes and other accounts receivable are shown net of any allowance for amounts that the Township believes will be uncollectible. Amounts due from other governments represent accounts receivable from federal, state and local governments.

**E) Capital Assets** - Capital assets, which include land, buildings, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The Township has elected not to retroactively record the value of infrastructure assets.

Capital assets are depreciated using the straight-line method over the following useful lives:

- |                             |          |
|-----------------------------|----------|
| • Buildings                 | 50 years |
| • Equipment and furnishings | 15 years |

# TOWNSHIP OF LIMESTONE

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital assets are recorded as an asset and depreciated for the government-wide financial statements but are not recorded in the governmental fund financial statements. The acquisition of capital assets are reported as an expenditure in the governmental fund financial statements when acquired.

**F) Deferred Revenues** - Deferred revenues have met the asset recognition criteria but have not met the revenue recognition criteria. Deferred revenues include resources received but not yet earned and accounts receivable not received within the availability period of 60 days.

**G) Property Taxes** - The Township's annual property tax on real and personal property within the Township is levied on December 1, and is based on the taxable valuation of property as of the preceding December 31. In addition to collecting their own taxes, the Township also acts as collection agent for all over-lapping governments in the Township. The Township's portion of the tax is collected between December 1 and February 28. Delinquent real property taxes are subsequently turned over to the County which maintains a tax revolving fund which permits the County to pay the Township 100% of the delinquent real taxes within approximately two or three months after the delinquency date of February 28.

The Township generally recognizes property taxes as revenue in the year the taxes are levied. Property taxes not meeting the availability criteria are recorded as deferred revenue. For the current year, the Township levied .5265 mills for general operating purposes.

**H) Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# TOWNSHIP OF LIMESTONE

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### **NOTE 2 - ADOPTION OF GASB STATEMENT NO. 34**

The Government Accounting Standards Board is responsible for establishing generally accepted accounting principles for state and local governments. The Township has adopted a new financial reporting model as of April 1, 2004 as required by GASB Statement No. 34, Basic Financial Statements - and Managements' Discussion and Analysis - for State and Local Governments. In connection with this accounting change, the Township has also changed the basis of accounting used by their governmental funds from the cash to the modified accrual basis. Because this change is occurring with the changes required by GASB No. 34, management has accounted for the change to the modified accrual basis by restating the prior fund balance of their governmental funds, as follows:

Total fund balances of governmental funds, as previously stated	\$ 223,834
Cumulative adjustment to previously stated fund balances of governmental funds due to change in basis of accounting	<u>3,716</u>
Total fund balances of governmental funds, as restated	\$ <u>227,550</u>

### **NOTE 3 - DEPOSITS AND INVESTMENTS**

Michigan compiled laws authorize and limit deposits and investments to federally insured financial institutions with offices in the State of Michigan, direct obligations of the United States, certain obligations of the State of Michigan or its' political subdivisions, specific investment grade short-term commercial paper, bankers acceptances of United States banks and mutual funds investing in authorized investment types.

The Township's investment policy is in compliance with statutory requirements established by the State.

# TOWNSHIP OF LIMESTONE

## NOTES TO FINANCIAL STATEMENTS

March 31, 2005

### NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)

Cash deposits are recorded at cost. During the past year, cash balances deposited have exceeded the maximum federally insured deposit levels. Cash balances as of March 31, 2005 consisted of the following:

Noninterest bearing checking accounts	\$ 9,276
Interest bearing accounts	117,663
Interest bearing short-term deposits	<u>92,545</u>
	\$ <u>219,484</u>

Total uninsured and unsecured deposits as of March 31, 2005 amounted to \$4,724, based on actual bank balances on that date of \$219,798.

### NOTE 4 - CAPITAL ASSETS

The following summarizes capital asset activity for the year ended March 31, 2005:

	Balance April 1, 2004	Additions	Disposals and Adjustments	Balance March 31, 2005
Nondepreciated Capital Assets:				
Land	\$ 3,750	\$ -	\$ -	\$ 3,750
Depreciated Capital Assets:				
General government:				
Buildings and improvements	35,000	-	-	35,000
Equipment and furnishings	<u>1,200</u>	<u>5,083</u>	<u>1,200</u>	<u>5,083</u>
Total Cost	39,950	5,083	1,200	43,833
Accumulated Depreciation	<u>36,200</u>	<u>254</u>	<u>1,200</u>	<u>35,254</u>
Net Capital Assets	\$ <u>3,750</u>	\$ <u>4,829</u>	\$ <u>-</u>	\$ <u>8,579</u>

Depreciation expense was charged to the following functions in the Township's Statement of Activities in the government-wide financial statements:

General government	\$ <u>254</u>
--------------------	---------------

# **TOWNSHIP OF LIMESTONE**

## **NOTES TO FINANCIAL STATEMENTS**

March 31, 2005

### **NOTE 4 - CAPITAL ASSETS (Continued)**

Capital outlay expenditures were charged to the following functions in the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances, consistent with the Township's manner of budgeting for capital outlay:

General government	\$ <u>5,083</u>
--------------------	-----------------

### **NOTE 5 - DEFERRED REVENUES**

As of March 31, 2005, the Township's deferred revenues for the governmental funds financial statements consisted of the following:

Taxes receivable	\$ 1,134
State revenue sharing receivable	<u>2,066</u>
	\$ <u>3,200</u>

### **NOTE 6 - NONCURRENT LIABILITIES**

The Township has no noncurrent liabilities.

### **NOTE 7 - PENSION PLAN**

The Township maintains a multi-employer money purchase pension plan which covers substantially all Township employees and requires annual contributions based on 12% of participants wages. Total contributions to the plan, including administrative fees of \$180, were \$2,192 for the year ended March 31, 2005.

### **NOTE 8 - RELATED PARTY TRANSACTIONS**

The Township maintains cash deposits at a local credit union that is managed by the Township's Treasurer. Total deposits of the Township in the credit union as of March 31, 2005 were \$104,724, of which \$4,724 were uninsured and unsecured.

### **NOTE 9 - RISK MANAGEMENT**

The Township is exposed to various risk of loss related to torts, theft, accident, errors, omissions, injury and disaster. The Township's principal resource used to manage these risks is through the purchase of commercial property and liability insurance policies.

**REQUIRED SUPPLEMENTAL INFORMATION**

# TOWNSHIP OF LIMESTONE

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Cash Basis Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 9,000	\$ 7,600	\$ 8,424	\$ 824
State sources	36,157	36,157	39,683	3,526
Charges for services	500	500	845	345
Interest and rentals	1,500	1,500	1,786	286
Other	<u>-</u>	<u>-</u>	<u>1,984</u>	<u>1,984</u>
TOTAL REVENUES	<u>47,157</u>	<u>45,757</u>	<u>52,722</u>	<u>6,965</u>
Expenditures:				
Legislative	8,700	8,708	6,461	2,247
General government	40,150	40,150	30,793	9,357
Public safety	7,500	7,500	5,500	2,000
Public works	17,450	17,910	2,911	14,999
Recreation and culture	17,500	17,500	4,375	13,125
Other	<u>9,000</u>	<u>9,000</u>	<u>7,032</u>	<u>1,968</u>
TOTAL EXPENDITURES	<u>100,300</u>	<u>100,768</u>	<u>57,072</u>	<u>43,696</u>
Change in Fund Balance	( 53,143)	( 55,011)	( 4,350)	50,661
Fund Balance, beginning of year	<u>223,834</u>	<u>223,834</u>	<u>223,834</u>	<u>-</u>
Fund Balance, end of year	\$ <u>170,691</u>	\$ <u>168,823</u>	\$ <u>219,484</u>	\$ <u>50,661</u>



# TOWNSHIP OF LIMESTONE

## NOTES TO REQUIRED SUPPLEMENTAL INFORMATION

For the year ended March 31, 2005

### BUDGETARY INFORMATION

The Township prepares annual budgets on a cash basis. A reconciliation of revenues and expenditures between the modified accrual basis of accounting used in the preparation of the governmental funds financial statements and the cash basis of accounting used for budgetary reporting is as follows:

	<u>General Fund</u>	
	<u>Revenues</u>	<u>Expenditures</u>
Amounts reported on modified accrual basis	\$ 53,304	\$ 57,072
Cash basis adjustments:		
Decrease in taxes receivable	98	-
Increase in due from other governments	( 312)	-
Decrease in deferred revenues	( 368)	-
Cash basis amounts	\$ <u>52,722</u>	\$ <u>57,072</u>

**OTHER SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF LIMESTONE**

**GENERAL FUND REVENUE BUDGETARY COMPARISON**  
**SCHEDULE - CASH BASIS**

For the year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
Taxes:				
Current property taxes	\$ 6,000	\$ 4,600	\$ 4,691	\$ 91
Delinquent taxes, penalties and interest	1,000	1,000	1,232	232
Property tax administrative fees	2,000	2,000	2,501	501
State Sources:				
Revenue sharing	25,000	25,000	27,085	2,085
Other state revenues	11,157	11,157	12,598	1,441
Charges for Services:				
Fire fees	500	500	845	345
Interest and Rentals:				
Interest income	1,500	1,500	1,786	286
Other:				
Miscellaneous	-	-	1,984	1,984
	\$ <u>47,157</u>	\$ <u>45,757</u>	\$ <u>52,722</u>	\$ <u>6,965</u>

# TOWNSHIP OF LIMESTONE

## GENERAL FUND EXPENDITURE BUDGETARY COMPARISON SCHEDULE - CASH BASIS

For the year ended March 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Legislative:				
Township Board	\$ 8,700	\$ 8,708	\$ 6,461	\$ 2,247
General Government:				
Township Supervisor	4,500	4,500	4,500	-
Township Clerk	4,500	4,500	4,500	-
Township Treasurer	7,000	7,000	5,690	1,310
Township Assessor	3,600	3,600	3,600	-
Township hall	9,750	9,750	8,487	1,263
Auditing and accounting	1,600	1,600	1,300	300
Board of review	700	700	675	25
Cemetery	1,500	1,500	817	683
Planning and zoning	5,000	5,000	-	5,000
Elections	2,000	2,000	1,224	776
Public Safety:				
Fire protection	7,500	7,500	5,500	2,000
Public Works:				
Street lighting	1,500	1,500	1,202	298
Roads	15,200	15,560	868	14,692
Trash collection	750	850	841	9
Recreation and Culture:				
Recreation	17,500	17,500	4,375	13,125
Other:				
Insurance	5,500	5,500	4,071	1,429
Social security	1,000	1,000	769	231
Retirement plan	<u>2,500</u>	<u>2,500</u>	<u>2,192</u>	<u>308</u>
	\$ <u>100,300</u>	\$ <u>100,768</u>	\$ <u>57,072</u>	\$ <u>43,696</u>



*Schneider, Larche,  
Haapala & Co., PLLC*

**CERTIFIED PUBLIC ACCOUNTANTS  
& CONSULTANTS**

David P. Pechawer, C.P.A., P.C.  
Denise M. Boyle, C.P.A., P.C.  
Bruce D. Dewar, C.P.A.  
Karen L. Meiers, C.P.A., P.C.

**RECEIVED**  
DEPT. OF TREASURY

**DEC 06 2005**

**LOCAL AUDIT & FINANCE DIV.**

September 20, 2005

Township Board  
Township of Limestone  
Alger County, Michigan

In planning and performing our audit of the financial statements of the Township of Limestone for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgement, could adversely affect the Township of Limestone's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Reportable conditions must be determined solely by considering the Township's internal control and whether it is functioning as designed. Other factors related to the Township's financial reporting system including, but not limited to, integrity of Board members and employees, prior experience of those individuals involved in the financial reporting process and the lack of errors or improprieties in the current and prior audits have a positive effect on the audit process but cannot be considered when determining if reportable conditions exist.

Small organizations, by their very nature, generally lack adequate internal control due to the fact that incompatible duties generally cannot be adequately segregated without additional allocation of responsibilities or additional cost. In addition, the effectiveness of internal control is affected by the timeliness of control procedures, which small organizations with part-time officers and employees often have difficulty in performing. Cost and risk factors must also be considered when determining what constitutes an appropriate level of internal control.



## **REPORTABLE CONDITIONS**

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions, however, we noted the following matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accounts.

### **Segregation of Duties: Cash Receipts**

The Township Treasurer is responsible for receiving and depositing cash receipts, reconciling the bank accounts and has control over all bank and certificate accounts. Giving one individual both custodial and recording-keeping responsibilities for the same asset creates a significant control weakness. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

### **Segregation of Duties: Current Tax Collection**

The Township Treasurer currently has sole responsibility for the collection, deposit, disbursement and bank account reconciliation over the current tax collection. Giving one individual both custodial and record-keeping responsibilities for the same asset creates a significant control risk. Consideration should be given to allocating some of these responsibilities to another Township official to minimize internal control risk.

### **Related Party Depository**

The Township currently maintains deposit accounts at a credit union which is managed by the Township Treasurer. The Township is advised that this arrangement creates a significant control weakness.

## **OTHER MATTERS**

In addition to the reportable conditions noted above, we noted certain other matters discussed below.

### **Fire Call Accounts Receivable**

The outstanding fire call accounts receivable include numerous past-due amounts. The Township Board should periodically review past-due accounts to determine whether adequate collection procedures have been used to collect these accounts. Accounts deemed uncollectible should be authorized by the Board for write-off.

General Ledger System

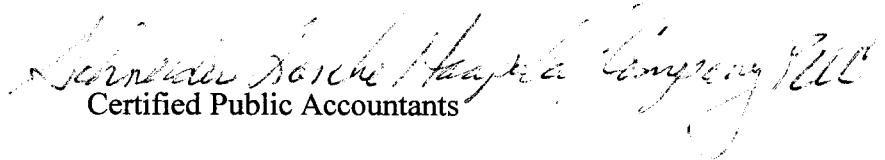
The Township is currently using a inexpensive vendor general ledger system that is relatively easy to learn and use. The Township has done a good job in adapting the general ledger system for use in maintaining the Township's records.

The Township Board should be aware, however, that the general ledger system lacks some of controls found in some other available vendor general ledger systems. The Township's general ledger system allows for transactions to be changed after initial recording and also permits transactions to be posted to earlier periods if the general ledger is not properly closed.

Cash Receipt Records

Our procedures indicated that the payor of cash receipts was not always being identified in the Treasurer's cash control book or in the general ledger. All Township records should be complete, including the names of all payors and payees.

This report is intended solely for the information and use of the Limestone Township Board and officers and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants